

Confident, Capable Council

Scrutiny Panel

22 November 2017

Time 6.00 pm **Public Meeting?** YES **Type of meeting** Scrutiny
Venue Training Room, Ground Floor, Civic Centre, St Peter's Square, Wolverhampton WV1 1SH

Membership

Chair Cllr Louise Miles (Lab)
Vice-chair Cllr Andrew Wynne (Con)

Labour

Cllr Alan Bolshaw
Cllr Jacqueline Sweetman
Cllr Caroline Siarkiewicz
Cllr Payal Bedi-Chadha
Cllr Paula Brookfield
Cllr Dr Michael Hardacre
Cllr Ian Brookfield
Cllr Craig Collingswood
Cllr Stephen Simkins

Conservative

Cllr Udey Singh

Quorum for this meeting is three Councillors.

Information for the Public

If you have any queries about this meeting, please contact the Democratic Services team:

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Agenda

Part 1 – items open to the press and public

Item No. *Title*

MEETING BUSINESS ITEMS

- 1 **Apologies**
- 2 **Declarations of interest**
- 3 **Minutes of previous meeting** (Pages 3 - 6)
[To approve the minutes of the previous meeting as a correct record]
- 4 **Matters arising**
[To consider any matters arising from the minutes]

DISCUSSION ITEMS

- 5 **Draft Budget and Medium Term Financial Strategy 2018-19 to 2019-20** (Pages 7 - 14)
[To consider a report on the Draft Budget and Medium Term Financial Strategy 2018-2019 to 2019-2020]
- 6 **Setting the Council Tax Base** (Pages 15 - 16)
[To consider a report on the overview of the Council Tax Setting process and changes in the Council Tax Base]
- 7 **Specific Reserves Working Group Terms of Reference and Nominations** (Pages 17 - 20)
[To consider a report on the Specific Reserves Working Group Terms of Reference and Nominations]

Confident, Capable Council Scrutiny Panel

Agenda Item No: 3

Minutes - 27 September 2017

Attendance

Members of the Confident, Capable Council Scrutiny Panel

Cllr Alan Bolshaw
Cllr Caroline Siarkiewicz
Cllr Andrew Wynne (Vice-Chair)
Cllr Payal Bedi-Chadha
Cllr Dr Michael Hardacre
Cllr Louise Miles (Chair)
Cllr Craig Collingswood
Cllr Stephen Simkins

Employees

Kevin O'Keefe	Director of Governance
Andy Hoare	Digital Transformation Director
Andy Moran	Service Director – Commercial
Julia Cleary	Scrutiny and Systems Manager
Philippa Salmon	Democratic Services Officer

Part 1 – items open to the press and public

Item No. *Title*

- 1 Apologies**
Apologies for absence were received from Councillors Ian Brookfield, Paula Brookfield and Jacqueline Sweetman.
- 2 Declarations of interest**
Councillors Louise Miles and Andrew Wynne declared a non-pecuniary interest in Item 5 Legal Services as members of a law society.
- 3 Minutes of previous meeting**
That the minutes of the previous meeting held on 21 June 2017 be approved as a correct record and signed by the Chair.
- 4 Matters arising**
There were no matters arising from the minutes of the previous meeting.

The Chair informed the Panel that there had been challenges with the Panel's agendas over the summer but that the issues were unlikely to reoccur. Discussions

had been held about upcoming meetings and the agendas would be reset. It had been stressed that analysis of the budget setting and monitoring process was a key piece of work for the Panel and a report would be presented at the next meeting for discussion.

5 **Legal Services**

The Chair introduced the item and informed the Panel that the Leader had requested that the Panel scrutinise the potential for the Legal Services department to generate income for the Council by offering services to the third and public sector.

Kevin O'Keefe, the Director of Governance, stated that the Legal Services team had improved significantly over recent years and that this had been recognised both regionally and nationally. Legal teams in various local authorities had set up alternative structures and were able to engage with other public authorities to provide them with services. Local authorities could set up a wholly owned company offering legal services for a commercial purpose, which would permit it to offer legal services to other parts of the public sector and to commercial companies carrying out local authority or other public-sector functions. These were known as Alternative Business Structures (ABS). Kent and Essex County Councils were examples of local authorities undertaking this practice.

The Director of Governance informed the Panel that research had been undertaken and there were 197 individual charities in Wolverhampton that could provide a market for business to provide services on a cost recovery basis. An ABS could also provide a service to other local authorities and even go as far as to act for them. The Panel expressed concern about additional pressure on staff and the development of the proposal. The Director of Governance stated that resources for the service would be insourced rather than outsourced. There had been informal conversations with organisations that were already interested in the type of service that could be provided. There had been no market testing carried out as of yet, but charities were obligated to reduce their expenditure wherever possible. The Council's Legal team had a good case management system and were successfully achieving all of their KPIs. External evaluations of the team were positive and there was an assurance that the team would not be given more work than was achievable.

The Panel queried whether there was evidence that local authorities that had set up ABS companies had been successful and what the financial information would be. Andy Moran, Service Director – Commercial, informed the Panel that, as all of the companies were relatively new, there was not a lot of data available. It was likely to take two years for the company accounts to be published.

Helen Child, the Chief Officer of Citizens Advice, Wolverhampton, attended the meeting at this point to provide the perspective of the voluntary sector. The Chief Officer stated that it was felt that the proposed service would be of benefit to many smaller organisations in the sector but that it was not an offer that Citizens Advice, Wolverhampton would be likely to take up. It was felt that there may be a conflict of interest as many of their issues that would require support involved the Council in a different role. As part of the Citizens Advice organisation they received legal support consisting of HR employment law, health and safety and contracts, as part of their membership. It was felt that local support priced competitively would be an attractive proposal for many organisations.

Following queries from the Panel, the Director of Governance confirmed that any income addition from an ABS would be for general use by the Council to fund quality public services, rather than directly to private solicitors. As Central Government was reducing funding it was a necessity to trade and raise revenue. The Director of Governance stated that the company would not be for profit, the income generated would be to cover overheads and to provide services. The Panel agreed that the proposal should be explored as the Council was tasked with making savings and generating income. The proposal was still draft and the Panel requested that, once it had been properly developed and tested, the full business case be brought to a future meeting.

Resolved:

1. That the possibility of Council legal services be explored, subject to a detailed business plan including:
 - a. robust soft market testing,
 - b. determination of risk,
 - c. an identified market,
 - d. projections on the volume of business,
 - e. impact on the existing workforce,
 - f. further exploration of the means by which revenue would be generated, consideration on conflict of interest and the impact on feasibility.

6 **Digital Transformation Programme 2017 to 2019**

Andrew Hoare, Digital Transformation Director, presented an update on the Digital Transformation Programme 2017 – 2019, to provide an awareness of the next phase of the programme and the operation over the next 18 months. The main deliverables so far were the customer platform, business intelligence and single view. The customer platform opened availability and there had been 16,000 registrations for online customer accounts. The online services were still limited so the take-up reflected availability. Services were being developed and the second phase of the programme would accelerate take-up. The statistics showed that the service was used 24/7 which was positive.

The Panel queried whether the online service was user-friendly for all and the Digital Transformation Director confirmed that guest access was enabled for some services and users could use the service on behalf of others. The Business Intelligence was providing greater insights from the data that the Council holds. The Single View improved the data quality and would enable the Council to detect fraud.

Three strategic themes were driving the next phase of the programme, empowered customer, enable employee and capable organisation. These were needed to ensure an agile and collaborative workforce. Following queries from the Panel, the Digital Transformation Director confirmed that new pressures would appear throughout the programme which would impact the priority lists. Currently, work was being undertaken to ensure that more payments could be made online which would deliver savings. The programme as a whole would enable change and ensure that the Council moved forwards and could deliver services in the most efficient way.

The meeting closed at 20:10.

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Confident, Capable Council

Scrutiny Panel

22 November 2017

Report title	Draft Budget and Medium Term Financial Strategy 2018-2019 to 2019-2020	
Cabinet member with lead responsibility	Councillor Andrew Johnson Resources	
	Councillor Milkinder Jaspal Governance	
Wards affected	All	
Accountable director	Keith Ireland, Managing Director	
Originating service	Strategic Finance	
Accountable employee(s)	Claire Nye	Director of Finance
	Tel	01902 550478
	Email	Claire.Nye@wolverhampton.gov.uk
Report to be/has been considered by		

Recommendation(s) for action or decision:

The Panel is recommended to:

1. Provide feedback to Scrutiny Board for consolidation and onward response to Cabinet on the Draft Budget 2018-2019, in particular those elements that are relevant to this Scrutiny Panel, including specifically:
 - a. the Financial Transactions and Base Budget Revisions summarised at Appendix A.

- b. the other underlying assumption to the 2018-2019 Draft Budget as detailed at Appendix B.
2. Provide feedback to Scrutiny Board for consolidation and onward response to Cabinet on the approach to Budget Consultation for 2018-2019.
3. Approve that the Scrutiny Panel response be finalised by the Chair and Vice-Chair of the Scrutiny Panel and forwarded to Scrutiny Board for consideration.

1.0 Purpose

- 1.1 The purpose of this report is to seek the Panel's feedback on the Draft Budget 2018-2019 that was approved by Cabinet to proceed for formal consultation and scrutiny stages of the budget process, as appropriate, on 18 October 2017. Furthermore, the Panel's feedback is also sought on the approach to budget consultation and key budget reduction proposals that are built into the Council's Medium Term Financial Strategy (MTFS).

2.0 Background

- 2.1 In March 2017, Full Council approved that work started immediately to identify £14.8 million of budget reductions and income generation proposals to address the projected deficit in 2018-2019.
- 2.2 An update was presented to Cabinet on 19 July 2017. The Council had identified a total of £12.5 million budget reduction opportunities towards the strategy of identifying £14.8 million for 2018-2019. Of the £12.5 million budget reductions proposals identified for 2018-2019, £5 million are ongoing budget reductions whilst £7.5 million are one-off budget reductions. The projected budget deficit was reported as £2.3 million for 2018-19.
- 2.3 Over the summer period, detailed work continued to take place and a further update was provided to Cabinet on 18 October 2017. At this meeting, Cabinet approval was sought to reprofile the previously approved Waste and Recycling budget reduction targets totalling a cumulative £2.1 million to 2019-2020, to reflect the anticipated implementation date. As a result of this, the remaining budget deficit to be identified for 2018-2019 increased from £2.3 million to £4.4 million. However, Cabinet approval was also sought to implement a further three financial transaction proposals in 2018-2019 totalling £4.4 million, which it is projected will enable the Council to set a balanced budget for 2018-2019.
- 2.4 As in previous years, the budget consultation process for the 2018-2019 budget will include four evening meetings at various venues in Wolverhampton, as well as a breakfast meeting with business representatives and other meetings with community groups. Furthermore, an online and paper survey will be used to support the consultation process. The 2018-2019 budget consultation focus is on how the Council and the community can Work Smarter Together. Details of the Council's budget consultation and the online survey can be found on the Council's website at:
<http://www.wolverhampton.gov.uk/budgetconsultation>
- 2.5 In order to limit the volume of paper used as part of the budget reporting process, the Cabinet report has not been appended to this covering report. Panel members are instead requested to bring their copy of the Draft Budget and Medium Term Financial Strategy (MTFS) 2018-2019 to 2019-2020 report, which was circulated with the 18 October 2017 Cabinet agenda. Detail of all the Council's individual proposals, including the latest to be considered by Cabinet on 18 October 2017, can be found on the Council's website at:

<http://www.wolverhampton.gov.uk/financialstrategy>

- 2.6 It is important to note that any budget reduction and income generation proposals approved as part of prior year budget setting processes have already been scrutinised and approved by Cabinet and are therefore, already included in the MTFS.
- 2.7 As detailed in the Cabinet report, the 2018-2019 Draft Budget will be considered by Scrutiny Panels during the November/December round of meetings and the feedback from those meetings will be reported to Scrutiny Board on 5 December 2017, which will consolidate that feedback in a formal response to Cabinet (Resources) Panel on 16 January 2018. The feedback provided to Scrutiny Board will include questions asked by Panel members, alongside the responses received. Cabinet will take into account the feedback from Scrutiny Board when considering the final budget setting report in February 2018, for approval by Full Council in March 2018.

3.0 Proposals relating to the work of this Panel

- 3.1 Included in the Draft Budget strategy are financial transaction and base budget revisions relating to the remit of this Panel. These are listed at Appendices A. The Panel is requested to provide and record its comments on these proposals, for submission to Scrutiny Board and then Cabinet.
- 3.2 In addition to commenting on these specific budget reduction proposals, the Panel may also request additional information or clarification in relation to the budget and MTFS. Any such requests will be noted separately, either for consideration by the Panel at a future date, or for information to be forwarded to the Panel members concerned.

4.0 Scrutiny Panel Recommendations

- 4.1 The Panel are recommended to provide feedback to Scrutiny Board for consolidation and onward response to Cabinet on:
- the Draft Budget 2018-2019;
 - the approach to Budget Consultation for 2018-2019;
 - any other comments.
- 4.2 The Panel are also recommended to approve that the Scrutiny Panel response be finalised by the Chair and Vice-Chair of the Scrutiny Panel and forwarded to Scrutiny Board for consideration.

5.0 Financial implications

- 5.1 The financial implications are discussed in the body of the report, and in the report to Cabinet.

[MH/14112017/Z]

4.0 Legal implications

- 6.1 The legal implications are discussed in the report to Cabinet.
[TS/14112017/W]

5.0 Equalities implications

- 5.1 The equalities implications are discussed in the report to Cabinet.

6.0 Environmental implications

- 6.1 The environmental implications are discussed in the report to Cabinet.

7.0 Human resources implications

- 7.1 The human resources implications are discussed in the report to Cabinet.

8.0 Schedule of background papers

- 10.1 Draft Budget and Medium Term Financial Strategy 2018-2019 to 2019-2020, report to Cabinet, 18 October 2017

Financial Transactions and Base Budget Revisions

Resources

Details	2018-2019 £000	2019-2020 £000
Elections - one-off savings due to the application of the Individual Electoral Registration (IER) grant held on the balance sheet	(80)	80
Savings arising as a result of Senior Management Restructure	(260)	-
Risk Management and Insurance – saving arising as a result of insurance contract renegotiation (net of potential pressures)	(300)	-
Anticipated reduction in Integrated Transport Authority (ITA) Levy	(250)	-
Audit Services – removal of vacant posts	(30)	(20)
Pension Budget savings arising as a result of making additional upfront payments to the West Midlands Pension Fund for future years past service deficit costs	(2,375)	-
One-off savings due to the additional S31 grant relating to Business Rates	(210)	210
Corporate Budget – reduction in funding over the required level for Adult Social Care	(700)	-
Pension Budget savings arising as a result of making additional upfront payments to the West Midlands Pension Fund for future years past service deficit costs	(5,585)	5,585
Treasury Management savings arising predominately as a result of reducing the provision for Capitalisation Risks	(1,100)	1,100
Release part of the Job Evaluation Reserve	(700)	700
Use of Capital Receipts Flexibility to fund revenue transformational costs	(2,700)	2,700
Treasury Management Budget Reduction and use of Reserves	(1,000)	1,000

Financial Transactions and Base Budget Revisions

Governance

Details	2018-2019 £000	2019-2020 £000
Health and Safety – saving arising as a result of lower than expected Lone Worker system costs	(50)	-
Human Resources – one-off saving arising as a result of using Workforce Development grant held on the balance sheet to support training costs	(150)	150
Register Office - one-off saving arising as a result of the application of the Tell Us Once grant held on the balance sheet.	(30)	30

Budget Assumptions

Details	2018-2019 £000	2019-2020 £000
Budget Growth		
Pay Related Pressures – including pay award, increments and pension costs.	7,042	8,412
Treasury Management – including interest costs and the provision for the redemption of debt, also referred to as Minimum Revenue Provision (MRP).	13,152	6,034
West Midlands Integrated Transport Authority Levy	537	-
Anticipated rise in NNDR (4% in 2018-2019 and 4% in 2019-2020)	145	145
Anticipated rise in gas prices (6% in 2018-2019 and 6% in 2019-2020)	68	68
Anticipated rise in electricity prices (2% in 2018-2019 and 2% in 2019-2020)	94	94
Corporate Inflation Contingency	1,500	2,000

Title: Setting the Council Tax Base

Prepared by: Claire Nye

Date: 13 November 2017

Intended audience: Internal Partner organisation Public Confidential

Purpose

To provide Confident, Capable Council Scrutiny Panel with an overview of the Council Tax Setting process and changes in the Council Tax Base.

Background

The Council must set a Council Tax Base before the end of January which will be used to set the Council Tax Requirement for the following financial year. It represents the total number of Band D equivalent council tax payers from whom the Council will collect council tax in the year ahead.

The total tax collected is shared in agreed proportions with the West Midlands Police and Crime Commissioner and the West Midlands Fire Service.

The Council Tax Base must be determined by 31 January 2017 and notified to the West Midlands Police and Crime Commissioner and the West Midlands Fire Service on or before that date, so that they can use the information in setting their precepts. This will determine cashflows between the Collection Fund and precepting bodies during the following financial year.

Calculating the Base

The method used to calculate the Council Tax Base is set out in the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 which came into force on 30 November 2012.

The calculation starts with the base figures from the preceding December and then adjusts these for known and projected growth and the impact of the Local Council Tax Reduction Scheme.

The total Tax Base, expressed in terms of the number of Band D equivalents, is then multiplied by a net collection rate (in 2017-2018 this was 97.09%).

Table 1 provides the calculation for 2017-2018.

Table 1 - Council Tax Base 2017-2018 (Cabinet 21 January 2017)

	Number of Band D equivalents
December 2016 baseline	76,075.72
Council Tax Reduction Scheme	(13,021.16)
New build and growth to March 2017	181.00
Total taxbase before collectability adjustment	63,235.56
Final taxbase including collectability adjustment	61,397.45

Timetable for 2018-2019 Council Tax Setting

The proposed Council Tax Base for 2018-2019 will be reported to Cabinet on 16 January 2018. Formal Council Tax Resolutions will be reported to Council on 7 March 2018 as part of the process to approve the Budget for 2018-2019.

Increases in the Council Tax Base

The following table provides the Council Tax Base from 2013-2014 to 2017-2018. The tax base is measured in the number of Band D equivalents. Increases in the tax base over the medium term reflect new properties and changes to the Local Council Tax Reduction Scheme.

	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Band D Equivalents	55,666.20	57,029.97	59,103.95	60,405.94	61,397.45
Increase on previous year		1,363.77	2,073.98	1,301.99	991.51
Increase on previous year (%)		2.4%	3.6%	2.2%	1.6%

Council Tax Income

The level of Council Tax is detailed in the following table.

In respect to the Council element, in 2014-2015 and 2015-2016 an increase of 1.99% was approved. This is the maximum increase that can be applied without holding a referendum.

In 2016-2017 and 2017-2018 a basic increase of 1.99% was applied and an additional 2% was added for the Adult Social Care Precept.

Break down of the Council Tax Bill	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
	£	£	£	£	£
Council Element	1,316.72	1,342.92	1,369.64	1,424.29	1,481.12
Precepts					
West Midlands Fire Service	52.82	53.87	54.94	56.03	57.14
West Midlands Police and Crime Commissioner	102.43	104.47	106.55	111.55	116.55
Total Precepts	155.25	158.34	161.49	167.58	173.69
Total Council Tax	1,471.97	1,501.26	1,531.13	1,591.87	1,654.81

In 2017-2018 Council Tax Income for the Council is £90.9 million of which £3.4 million relates to the Adult Social Care Precept.



Confident, Capable Council Scrutiny Panel

22 November 2017

Report title	Terms of Reference and Nominations for Specific Reserves Working Group	
Cabinet member with lead responsibility	Councillor Andrew Johnson Resources	
Wards affected	All	
Accountable director	Claire Nye, Director of Finance	
Originating service	Strategic Finance	
Accountable employee(s)	Michelle Howell	Finance Business Partner
	Tel	01902 553197
	Email	Michelle.Howell@wolverhampton.gov.uk
Report to be/has been considered by		

Recommendation(s) for action or decision:

The Panel is recommended to:

1. Approve the terms of reference for the specific reserves working group.
2. Accept nominations for and approve the membership of the specific reserves working group.

1.0 Purpose

- 1.1 The purpose of the report is to establish the terms of reference for a working group to review the Council's specific reserves and to agree the membership of the working group which meets annually for this purpose.

2.0 Background

- 2.1 Specific reserves are made up of revenue resources which have been voluntarily set aside by the Council in previous financial years in order to fund specific items of expenditure in the future.
- 2.2 Under the Council's financial procedure rules, the establishment or dissolution of specific reserves require the approval of the Cabinet. Use of specific reserves requires the approval of the Cabinet (Resources) Panel. Specific reserves must also be reviewed for relevance and adequacy at least twice per financial year, as part of the outturn and budget preparation processes.
- 2.3 These reserves are currently being reviewed as part of the 2018-2019 budget process. As in previous years, it is proposed that a specific reserve working group is established to scrutinise the reserves and seek the views and observations of members of the working group as to the appropriateness of the specific reserves that are held by the Council. It is proposed that this working group meet on 28 November 2017 in order that any comments can be considered for the final 2018-2019 budget report.

3.0 Specific Reserves Working Group.

- 3.1 The proposed terms of reference are provided at Appendix 1.
- 3.2 The panel is requested to make nominations for the specific reserves working group and agree the membership of the group.

4.0 Financial implications

- 4.1 There are no direct financial implications arising from this report although the establishment of the working group contributes to the financial transparency and governance of the council.

5.0 Legal implications

- 5.1 Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs.

6.0 Equalities implications

6.1 There are no direct equalities implications arising from this report.

7.0 Environmental implications

7.1 This report has no direct implications for the council's environmental policies.

8.0 Human resources implications

8.1 There are no direct Human Resources implications

DRAFT

Appendix 1

Specific Reserves Working Group Terms of Reference

1. Background

- 1.1 A specific reserve is an amount of money set aside voluntarily by the Council to fund or partially-fund future expenditure plans on a specific project or item. Under the Council's financial procedure rules, the establishment or dissolution of specific reserves requires the approval of the Cabinet. Use of specific reserves requires the approval of the Cabinet (Resources) Panel. Specific reserves must also be reviewed for relevance and adequacy at least twice per financial year, as part of the outturn and budget preparation processes.

2. Terms of Reference

- 2.1 To receive a detailed report on specific reserves.
- 2.2 To review and scrutinise the balances and movements of the council's specific reserves to ensure that they are appropriately established and required.
- 2.3 To make recommendation or comment to Cabinet on matters arising from the review and scrutiny of specific reserves.